

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON CLYDE RIVER WATER MET IN THE CONFERENCE ROOM, HENTY HOUSE, LAUNCESTON ON THURSDAY 19 AUGUST 2004.

Mr STEPHEN MACKEY, CLYDE WATER TRUST, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Hall) - Welcome, Mr Mackey. The committee indicated that there were a few more questions that they need to ask you.

Mr FLETCHER - Mr Mackey, you've been here and heard Mr Harradine's evidence to the committee and Mr Harradine says that clearly the committee should concentrate on allocating the existing water available before it even dares to consider other opportunities for increasing supply. Do you agree with that?

Mr MACKEY - I suppose if you take into consideration the debt level the trust currently has, I suppose it would be fairly prudent to take that view, but I would like to think that at the end the day we are going to get a better allocation and one that was more fair and equitable to all the irrigators within the area. I think that by the increase, whether it goes all the way and takes in Stuart as well, that is a decision that needs to be made. I think it's a better way to get a better allocation across all the irrigators.

Mr FLETCHER - Mr Harradine put the Government's policy position that it's the Government's policy that water should be used in a manner that maximises the benefits to the State. Does that come into the consideration of the trust's thinking at all, that government policy?

Mr MACKEY - I would have to say that the view of the trust is to allocate the water that has been in with the licence to us, so it's not on the basis of the return to the Government.

Mr FLETCHER - So the trust has never considered the value-adding component of the water it allocates to make judgements between what should be favoured against what should not be favoured.

Mr MACKEY - I don't understand the -

Mr FLETCHER - Well, the trust, over a period of time, is allocated water; it has been allocated on the basis that if the water is available it can be allocated and there is no interest at all in what the party is going to do with the water.

Mr MACKEY - That's a fair comment, yes, but I think the issue there is that if a person has asked for an allocation it has been stated that it be winter-take only, if it's to go into storages, so that there is a benefit in the long run in that there is a balancing between what is available and what's in the storages that can be utilised.

Mr FLETCHER - The reason I asked that you come back was that you had a proposition which you didn't fully flesh out. The conundrum for me is that we have legitimate decisions of your organisation that seem to me to have never been rescinded and therefore ought to be binding with regard the allocation of rights to take water, or permission to take water. However, the evidence coming to us is fairly polarised with regard pre-1976 agreements and post-1976 arrangements, and it seems perhaps that committee B, and further your own submission to us, seeks to find some consensus or some common ground that might move over those areas to identify a process that would have the support of most, if not all, the irrigators or the clients of your trust. I want to know more about that; we didn't get quite enough about that. My question would be to what degree can you flesh that out for us today?

Mr MACKEY - This is the redistribution of the allocations?

Mr FLETCHER - Yes.

Mr MACKEY - I think I forwarded a copy. The view that I put, which I also said before, was that there would need to be a capital component to increase Meadowbank to pick up two additional storages, and they are Rob Parsons' and Stuart Archer's areas. I based it on the amended allocation that was sent to the minister, which was 8 265 megalitres of water.

In the first column of the spreadsheet, they started at the top with 8 264, and you notice at the bottom it's only 6 598. That is because the other allocations have been put into the Meadowbank column, in other words saying that they can be distributed out of Meadowbank. Then I took the percentage of the allocations for all of the irrigators in the first column to determine what the percentage of water is that they got in the minister's allocation and then redistributed those. So on that basis, on the first one it says 40, which was what was sent to the minister. If there's a reallocation of what is available out of Meadowbank, that would give them an allocation of 50.

Andrew Beattie recommended 41, sub-committee B recommended 35, so what I am saying in doing that, and doing that spread across into those, actually helps to increase the allocations for all of those, specifically those that are coming out of Lake Sorell and Lake Crescent, but is no greater than the allocation that we already sent down to the minister. The difference is what can be drawn out of Meadowbank. Currently you can't take Longford and you can't take from other areas or rivers because it needs an extension to actually cover those.

But in saying that, there is still the issue that is going to cloud the whole thing, and that is whether the 1976 decision, as I said before - excuse the pun - holds water or whether it doesn't. I think we've got legal advice, whether that is good, bad or indifferent, it's still legal advice, and I think the other side of the fence have legal advice as well. Whether that is married together to try to determine whether there is a position in relation to 1976 or if there isn't I think still needs to be determined.

Mr WILKINSON - Shouldn't we be looking at what we believe to be the fairest allocations are and put aside what the legal issues are? Because if the legal issues are going to be fought, they will have to be fought and people will do what they have to do but in our

position, shouldn't we be putting forward what we believe to be the fairest method of allocation?

Mr MACKEY - I agree. In saying that, if we don't want to have a fight at the end of the day -

Mr WILKINSON - I know what you're saying.

Mr MACKEY - we need to resolve it beforehand but if we still want to have a fight at the end of the day, that's fine as long as we get a fair and equitable allocation for all concerned.

Mr FLETCHER - We can't make a judgment with regard the legal disagreement, if there is one. A court is the place where that should be resolved if people are of a mind.

It does seem to me that certain submissions have said that we have 18 out of 21 or we have 20 out of 21 or perhaps we can have 21 out of 21 if we can just look for the right answers and I guess the question I'm asking you is: are your answers the right answers? Is this redistribution likely to get some support? I think you indicated previously that it had a very high level of support.

Mr MACKEY - In saying that, I took the view in relation to what Andrew Beattie had done as an allocation which was a higher allocation and what subcommittee B had put together and then I suppose you take subcommittee C as being the adjusted figures that were sent down to the minister.

I am saying that somewhere along the line there is a balance between all of those numbers. The ones that were sent to the minister seemed to be ones that some agree with and some don't agree with and I thought that in the balancing act of putting in the Meadowbank, which increased those allocations, it came up better than subcommittee B, it was better than subcommittee C therefore there should be some consensus in relation to that.

CHAIR - Just to get that clear. The figures that went to the minister came from subcommittee C, is that so?

Mr MACKEY - I use that as a terminology.

CHAIR - Okay.

Mr MACKEY - It was what was done as the minister's figures and then looked at in communication with irrigators to try to get a consensus. In the end they were the numbers that were sent down.

Mr FLETCHER - Okay. So, in actual fact there is no general understanding among irrigators of your proposition; it is just another proposition that is on the table that may get some level of acceptance or might be rejected by everyone?

Mr MACKEY - Yes, that's right.

Mr FLETCHER - Who knows?

Mr MACKEY - Yes, it has a fair chance of going one way or the other.

Mr FLETCHER - I keep on coming back to the price mechanism.

I am aware that the Rivers and Water Supply Commission has sent letters to irrigators suggesting that they should clearly state what they need to sustain their current operations, based on recent history, on the basis of the water being charged out at \$30 a megalitre, 80 per cent of that paid up front on an annual fee basis and 20 per cent of it being paid on a per megalitre basis for actual water use. Does the trust have a policy or have any thoughts about introducing that type of mechanism into the equation that would enable a better distribution and, I guess, enable irrigators or the trust or an authority to meet the Government's policy of making sure that the water is used in a manner that maximises the benefit to the State?

Mr MACKEY - The trust made a decision - I think it was \$12 a megalitre for the irrigation right and \$12 a megalitre for the water usage. I think that was based on some numbers that it came up with, about \$99 000 or thereabouts, for income to the trust.

Bearing that in mind that was based on the fact that the trust owed some money and needless to say they would be numbers that you would use over a three, four or five-year period to pay off the debt or take out a loan to pay off the debt, then after that period you would look what is a fair and reasonable figure. It could be that that number could drop down. It could be six and six, it could be a multitude of numbers and it really depends then whether a decision is made to do more capital works or whether capital works are done beforehand as to how much would be required.

Mr FLETCHER - In verbal evidence we have received there have been statements that the fee, the price charged, by the trust was at once stage \$2.50 and is up to \$12 or \$12.50 now that it has increased in recent times, but you seem to be saying now that the price is \$24 a megalitre all up - \$12 plus \$12 in two separate charges? Am I correct in my understanding of that?

Mr MACKEY - In effect, yes.

Mr FLETCHER - So all irrigators pay \$12 a megalitre whether they take the water or not?

Mr MACKEY - That would be based on the licence. What they are allocated in the licence and then they would be charged for the amount of water they used and the return they put back to the trust annually.

It could be that it is \$8 265 as the licence, but they might only use \$7 000 or \$6 000 as water usage during the year.

Mr FLETCHER - I am still not clearly understanding that. We are talking about the fee charged by the trust to the irrigators?

Mr MACKEY - Yes.

Mr FLETCHER - So if we take Humbie here, the first one, which is adjusted - and only for illustration purposes - 40 megalitres?

Mr MACKEY - Yes.

Mr FLETCHER - So, they would pay \$480 to the trust each year for the right to hold the licence?

Mr MACKEY - For the irrigation rights, yes.

Mr FLETCHER - And if they use 30 megalitres of that water for a year they would pay another \$360 -

Mr MACKEY - Yes.

Mr FLETCHER - for their water usage and so on.

Mr MACKEY - Yes.

Mr FLETCHER - So that is the existing arrangement that is applied over all irrigators up until the time of the -

Mr MACKEY - It was the decision that was made by the trust in the allocations of the water rights and the likes; needless to say they haven't got a guernsey at this stage. The issue that the trust needs to grapple with at the end of the day is they have a debt, they need to borrow the money, they need to pay the debt off. It is whether some of those numbers are higher in the initial years and drop down to lower numbers in later years and that will be determined by what is the ongoing cost of running the irrigation district.

For a number of years the usage has been \$2.50. There was a year when it went up to, I think, \$7.50 and then it has been \$5 a megalitre.

Mr FLETCHER - So, what you're advising the committee is that to date these charges have never been applied. They have been agreed by the trust but the trust went into dormancy for whatever reason -

Mr MACKEY - Yes.

Mr FLETCHER - and whilst it is a decision of the trust to apply those charges they've never in reality been applied to date?

Mr MACKEY - Not at this stage.

Mr FLETCHER - But if the trust was reconstituted -

Mr MACKEY - They would be the kind of numbers -

Mr FLETCHER - they would be the kind of numbers that would be necessary to sustain the operation?

Mr MACKEY - Yes, to take out a loan. I think I gave a loan schedule which was higher numbers but I think that is still worked out that if it was those figures over a six-year period the debt would be paid off. When I say that I am talking about a debt including \$150 000, which is more than what the trust currently owes.

Mr FLETCHER - The trust is still an entity but in dormancy, if that is a fair word to use at the moment, so the trust has virtually unfettered powers to establish the fees that would enable it to recover the costs of its operation?

Mr MACKEY - Yes, they have. They have powers to make the decision in relation to the amount they charge per annum, yes. Needless to say at the end of the day once they have an election and another election after that the decision in relation to how much they charge might change.

Mr FLETCHER - That's on the presumption that at the end of this wash-up there is still a trust and not some separate authority. Do you have an opinion on that? Is the trust involving local people the best way to manage the resource?

Mr MACKEY - I think it is. But in saying that, I think that the last time I was here I said there would probably need to be some changes in relation to the make-up of that trust, and that is that I think that there need to be two irrigators on board. There needs to be two who are independent who have knowledge in relation to water and I think I made the comment that the chairperson needs to be independent as well and that person needs to be from the minister's office or from the Rivers and Water Supply Commission.

Mrs SMITH - Would you see a company perhaps instead of a trust as tighter entity to ensure that it operated better? There are legal requirements on a company. I think we will get evidence later but on the Longford-Cressy scheme et cetera and how that has been set up.

Mr MACKEY - I think there are options to run it as a company. But under the Water Management Act as it is I think that it is better to run it as a trust and continue it as a trust. But then again, at the end of the day, the decision is going to be somebody else's, I would assume.

Mr FLETCHER - Mr Mackey, was there any discussion with the irrigators with regard the potential impact of charging \$24 a megalitre for water out of the scheme?

Mr MACKEY - No, there wasn't.

Mr FLETCHER - Was there any assessment done about what impact that sort of a charge would have on the viability or sustainability of operations in the irrigation district?

Mr MACKEY - I would have to say no to that. But I would say that if we look at other irrigation districts, I think some of the figures, even the \$24 we are talking about here, are on the lower end of the scale. That's not saying that we accepted that that is the way to travel but I think that based on those numbers it is, as I said, on the lower end of the scale of most other water entities.

Mr FLETCHER - What was the last fee that was charged to irrigators? At what level was that applied?

Mr MACKEY - I think it was \$5. I can get those figures out for you but I think it was \$5.

Mr FLETCHER - It was likely to have been in vicinity of \$5 a megalitre - just a single charge?

Mr MACKEY - Yes, in 2000-01 it was \$5 a megalitre. In 1999-2000 it was \$2.50.

CHAIR - Thank you very much, Mr Mackey.

THE WITNESS WITHDREW.